



External Relations Department

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The growth momentum of advances to private sector maintains its steady pace in H1CY18, says the 1st HPR of the Banking Sector

SBP has issued the Half-Yearly Performance Review (HPR) of the Banking Sector for the 1st half of CY18. The HPR provides a comprehensive coverage of the performance and soundness of the banking sector and highlights the key issues facing the financial sector.

According to the report, banking sector has performed reasonably well. The asset base of the banking sector has expanded by 4.7 percent during H1CY18 (Year-on-Year (YoY): 9.7 percent). Encouragingly, advances to the private sector have been the key contributor in the asset growth with sugar, energy and cement sectors along with individuals (i.e. sole proprietorships) being the key borrowers. Deposits have observed slight deceleration but remained the mainstay of funds for the banks.

The overall risk profile of the banking sector has improved in H1CY18, mainly, due to strengthening capital adequacy and improving asset quality. Capital Adequacy Ratio (CAR) has further strengthened to 15.9 percent; well above the minimum regulatory required level of 11.275 percent. Non-Performing Loans (NPLS) to total loans ratio has receded to 7.9 percent—the lowest level since H1CY08. Banks' after-tax earnings (Year to Date), however, have declined by 14.7 percent due to reduced non-interest income, one-off provision expenses, and higher administrative cost.

The report also highlights expectations about macro-financial conditions in H2CY18. The results of the 2nd wave of SBP's Systemic Risk Survey suggest that external sector pressures, fiscal sector vulnerabilities, growing domestic inflation and volatile commodity markets could potentially impact financial stability over the coming six months.

The Performance Review of the Banking Sector for H1CY18 can be accessed at following URL:

<http://www.sbp.org.pk/publications/HPR/H1CY18.pdf>
